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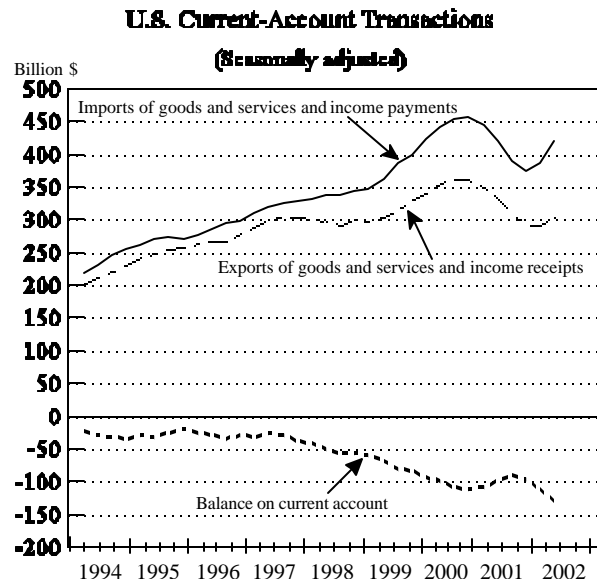
BEA 02-27

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U.S. International Transactions: Second Quarter 2002

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased to \$130.0 billion (preliminary) in the second quarter of 2002 from \$112.5 billion (revised) in the first quarter, according to the U.S. Bureau of Economic Analysis. Increases in the deficit on goods and services and in the deficit on income more than offset a decrease in net outflows for unilateral current transfers.



NOTE: This news release is available on BEA's Web site at <www.bea.gov/bea/rels.htm>.

Goods and services

The deficit on goods and services increased to \$110.6 billion in the second quarter from \$95.5 billion in the first.

Goods The deficit on goods increased to \$122.6 billion in the second quarter from \$106.4 billion in the first.

Goods exports increased to \$172.7 billion from \$164.6 billion. The largest increases were in industrial supplies and materials, in capital goods, and in automotive products.

Goods imports increased to \$295.3 billion from \$271.1 billion. Petroleum and products increased strongly, largely as a result of an increase in petroleum prices. Nonpetroleum products also increased strongly; the largest increases were in consumer goods and in automotive products.

Services The surplus on services increased to \$12.0 billion in the second quarter from \$10.9 billion in the first.

Services receipts increased to \$71.1 billion from \$68.6 billion. Much of the increase was accounted for by increases in “other” private services and in royalties and license fees.

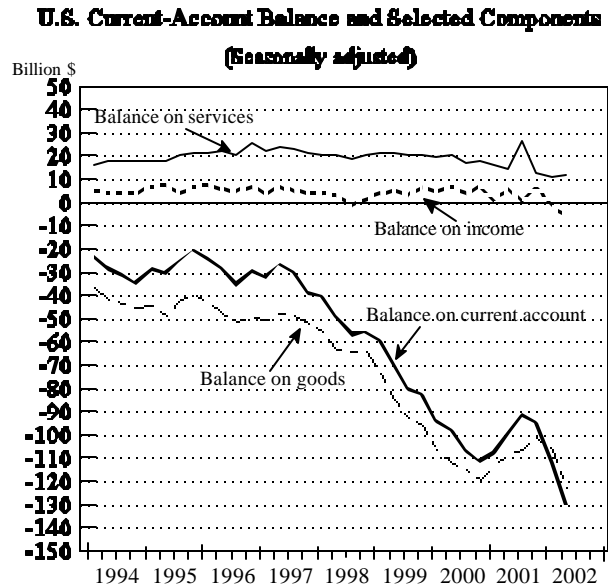
Services payments increased to \$59.0 billion from \$57.7 billion. Much of the increase was accounted for by increases in “other” transportation and in “other” private services.

Income

The deficit on income increased to \$6.3 billion in the second quarter from \$0.9 billion in the first.

Investment income Income receipts on U.S.-owned assets abroad increased to \$60.0 billion from \$57.5 billion. Nearly all of the increase was attributable to an increase in direct investment receipts.

Income payments on foreign-owned assets in the United States increased to \$64.6 billion from \$56.8 billion. Most of the increase was accounted for by an increase in direct investment payments; “other” private payments and U.S. Government payments also increased.



Compensation of employees Receipts for compensation of U.S. workers abroad were virtually unchanged at \$0.6 billion. Payments for compensation of foreign workers in the United States edged up to \$2.3 billion.

Unilateral current transfers

Unilateral current transfers were net outflows of \$13.1 billion in the second quarter, down from net outflows of \$16.0 billion in the first. The decrease was more than accounted for by a decrease in U.S. Government grants.

Capital and Financial Account

Capital Account

Capital account transactions were net inflows of \$0.2 billion in the second quarter, virtually unchanged from the first.

Financial Account

Net recorded financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$80.4 billion in the second quarter, compared with \$87.6 billion (revised) in the first. Financial outflows for U.S.-owned assets abroad increased more than financial inflows for foreign-owned assets in the United States.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$140.8 billion in the second quarter, following an increase of \$25.9 billion in the first.

U.S. claims on foreigners reported by U.S. banks increased \$72.7 billion in the second quarter, in contrast to a decrease of \$0.7 billion in the first. Banks' own claims increased strongly, and banks' domestic customers' claims also increased.

Transactions in foreign securities shifted to net U.S. purchases of \$10.0 billion in the second quarter from net U.S. sales of \$2.0 billion in the first. Transactions in foreign stocks shifted to net U.S. purchases of \$20.2 billion from net U.S. sales of \$1.5 billion; transactions with several foreign countries shifted to net U.S. purchases. Net U.S. sales of foreign bonds were \$10.2 billion, up from \$0.6 billion, partly reflecting an increase in net U.S. sales of outstanding foreign bonds.

Net financial outflows for U.S. direct investment abroad were \$29.4 billion in the second quarter, up slightly from \$29.3 billion in the first. An increase in net intercompany debt outflows more than offset a decrease in net equity capital outflows and a slight reduction in reinvested earnings.

U.S. official reserve assets increased \$1.8 billion in the second quarter, in contrast to a decrease of \$0.4 billion in the first.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$221.2 billion in the second quarter, following an increase of \$113.5 billion in the first.

U.S. liabilities to foreigners reported by U.S. banks, excluding U.S. Treasury securities, increased \$34.9 billion in the second quarter, in contrast to a decrease of \$11.1 billion in the first. The second-quarter increase was largely to banks' offices in the Caribbean.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$103.8 billion in the second quarter, up from \$71.1 billion in the first. Net foreign purchases of U.S. stocks were \$11.4 billion, down from \$25.0 billion. Net foreign purchases of U.S. corporate and other bonds were a record \$92.3 billion, up from \$46.1 billion; net foreign purchases of U.S. agency bonds rose sharply, and net foreign purchases of U.S. corporate bonds also increased.

Transactions in U.S. Treasury securities shifted to net foreign purchases of \$1.4 billion in the second quarter from net foreign sales of \$7.3 billion in the first.

Net financial inflows for foreign direct investment in the United States were \$1.0 billion in the second quarter, down from \$16.2 billion in the first. The decrease was largely accounted for by a shift in intercompany debt to net outflows from net inflows. A decrease in net equity capital inflows contributed to the decline. In contrast, reinvested earnings became positive.

Net U.S. currency shipments to foreigners were \$7.2 billion in the second quarter, up from \$4.5 billion in the first.

Foreign official assets in the United States increased \$47.1 billion in the second quarter, following an increase of \$7.6 billion in the first. Industrial and developing countries each accounted for about half of the second-quarter increase.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$49.4 billion in the second quarter, following a positive \$24.7 billion in the first.

In the second quarter, the U.S. dollar depreciated 4 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

Revisions

The first-quarter international transactions are revised from previously published estimates. The current-account deficit was virtually unrevised at \$112.5 billion. The goods deficit was unrevised at \$106.4 billion; the services surplus was revised to \$10.9 billion from \$11.6 billion; the deficit on income was revised to \$0.9 billion from \$1.8 billion; and unilateral current transfers were revised to net outflows of \$16.0 billion from net outflows of \$15.9 billion. Net recorded financial inflows were revised to \$87.6 billion from \$99.4 billion.

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Next release:

Third quarter 2002.....December 12, 2002 (Thursday)

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<www.bea.gov>

Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202)606-5362 U.S. international transactions
-5306 Gross domestic product
-5303 Personal income and outlays

Most of BEA's estimates and analyses are published in the Survey of Current Business, BEA's monthly journal. Subscriptions and single copies of the printed Survey are for sale by the Superintendent of Documents, U.S. Government Printing Office. Internet: <bookstore.gpo.gov>; phone: 202-512-1800; fax: 202-512-2250; mail: Stop SSOP, Washington, DC 20402-0001.

Table 1.--U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

| (Credits +, debits -) | 2001 | 2001 | | | | 2002 | | Change: 2002 I-II |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------------|
| | | I | II | III | IV | I ^r | II ^p | |
| Current account | | | | | | | | |
| 1 Exports of goods and services and income receipts..... | 1,281,793 | 349,040 | 331,612 | 309,477 | 291,667 | 291,348 | 304,359 | 13,011 |
| 2 Exports of goods and services..... | 998,022 | 266,004 | 256,766 | 242,325 | 232,930 | 233,252 | 243,752 | 10,500 |
| 3 Goods, balance of payments basis..... | 718,762 | 193,284 | 184,846 | 173,274 | 167,358 | 164,649 | 172,676 | 8,027 |
| 4 Services..... | 279,260 | 72,720 | 71,920 | 69,051 | 65,572 | 68,603 | 71,076 | 2,473 |
| 5 Transfers under U.S. military agency sales contracts..... | 12,220 | 2,806 | 3,227 | 3,079 | 3,108 | 2,990 | 3,117 | 127 |
| 6 Travel..... | 73,119 | 20,735 | 19,803 | 17,845 | 14,736 | 17,038 | 17,200 | 162 |
| 7 Passenger fares..... | 18,007 | 5,007 | 4,849 | 4,522 | 3,629 | 4,171 | 4,209 | 38 |
| 8 Other transportation..... | 28,306 | 7,495 | 7,170 | 6,968 | 6,674 | 6,805 | 7,027 | 222 |
| 9 Royalties and license fees..... | 38,668 | 9,717 | 9,743 | 9,537 | 9,672 | 9,931 | 10,490 | 559 |
| 10 Other private services..... | 108,109 | 26,738 | 26,927 | 26,886 | 27,559 | 27,473 | 28,834 | 1,361 |
| 11 U.S. Government miscellaneous services..... | 831 | 222 | 201 | 214 | 194 | 195 | 199 | 4 |
| 12 Income receipts..... | 283,771 | 83,036 | 74,846 | 67,152 | 58,737 | 58,096 | 60,607 | 2,511 |
| 13 Income receipts on U.S.-owned assets abroad..... | 281,389 | 82,444 | 74,253 | 66,555 | 58,137 | 57,485 | 59,993 | 2,508 |
| 14 Direct investment receipts..... | 125,996 | 35,270 | 33,078 | 30,211 | 27,436 | 28,679 | 31,145 | 2,466 |
| 15 Other private receipts..... | 151,832 | 46,281 | 40,398 | 35,494 | 29,659 | 27,994 | 28,162 | 168 |
| 16 U.S. Government receipts..... | 3,561 | 893 | 777 | 850 | 1,042 | 812 | 686 | -126 |
| 17 Compensation of employees..... | 2,382 | 592 | 593 | 597 | 600 | 611 | 614 | 3 |
| 18 Imports of goods and services and income payments..... | -1,625,701 | -445,154 | -418,930 | -388,448 | -373,174 | -387,786 | -421,258 | -33,472 |
| 19 Imports of goods and services..... | -1,356,312 | -363,164 | -350,090 | -322,103 | -320,958 | -328,744 | -354,365 | -25,621 |
| 20 Goods, balance of payments basis..... | -1,145,927 | -306,316 | -292,565 | -279,025 | -268,021 | -271,073 | -295,316 | -24,243 |
| 21 Services..... | -210,385 | -56,848 | -57,525 | -43,078 | -52,937 | -57,671 | -59,049 | -1,378 |
| 22 Direct defense expenditures..... | -15,198 | -3,548 | -3,512 | -3,785 | -4,353 | -4,488 | -4,750 | -262 |
| 23 Travel..... | -60,117 | -16,003 | -16,698 | -14,468 | -12,948 | -14,587 | -14,682 | -95 |
| 24 Passenger fares..... | -22,418 | -5,810 | -6,213 | -5,944 | -4,451 | -5,113 | -5,126 | -13 |
| 25 Other transportation..... | -38,823 | -10,521 | -10,130 | -9,178 | -8,997 | -8,858 | -9,747 | -889 |
| 26 Royalties and license fees..... | -16,359 | -4,097 | -4,038 | -4,113 | -4,110 | -4,764 | -4,522 | 242 |
| 27 Other private services..... | -54,588 | -16,146 | -16,208 | -4,864 | -17,371 | -19,120 | -19,497 | -377 |
| 28 U.S. Government miscellaneous services..... | -2,882 | -723 | -726 | -726 | -707 | -741 | -725 | 16 |
| 29 Income payments..... | -269,389 | -81,990 | -68,840 | -66,345 | -52,216 | -59,042 | -66,893 | -7,851 |
| 30 Income payments on foreign-owned assets in the United States..... | -260,850 | -79,881 | -66,727 | -64,210 | -50,035 | -56,803 | -64,621 | -7,818 |
| 31 Direct investment payments..... | -23,401 | -13,021 | -5,246 | -6,303 | 1,166 | -6,610 | -13,474 | -6,864 |
| 32 Other private payments..... | -156,784 | -45,512 | -40,886 | -38,156 | -32,230 | -31,679 | -32,475 | -796 |
| 33 U.S. Government payments..... | -80,665 | -21,348 | -20,595 | -19,751 | -18,971 | -18,514 | -18,672 | -158 |
| 34 Compensation of employees..... | -8,539 | -2,109 | -2,113 | -2,135 | -2,181 | -2,239 | -2,272 | -33 |
| 35 Unilateral current transfers, net..... | -49,463 | -11,608 | -11,916 | -12,360 | -13,579 | -16,016 | -13,060 | 2,956 |
| 36 U.S. Government grants..... | -11,628 | -2,419 | -2,522 | -2,905 | -3,782 | -6,273 | -3,111 | 3,162 |
| 37 U.S. Government pensions and other transfers..... | -5,798 | -1,316 | -1,291 | -1,305 | -1,886 | -1,348 | -1,357 | -9 |
| 38 Private remittances and other transfers..... | -32,037 | -7,873 | -8,103 | -8,150 | -7,911 | -8,395 | -8,592 | -197 |

Table 1.--U.S. International Transactions (Continued)
 [Millions of dollars, quarters seasonally adjusted]

| (Credits +, debits -) | | 2001 | 2001 | | | | 2002 | | Change: 2002 I-II |
|-------------------------------|--|----------|----------|----------|----------|----------|----------------|-----------------|-------------------------|
| | | | I | II | III | IV | I ^r | II ^p | |
| Capital and financial account | | | | | | | | | |
| Capital account | | | | | | | | | |
| 39 | Capital account transactions, net..... | 826 | 208 | 207 | 206 | 205 | 208 | 200 | -8 |
| Financial account | | | | | | | | | |
| 40 | U.S.-owned assets abroad, net (increase/financial outflow (-))..... | -370,962 | -215,815 | -80,036 | 24,978 | -100,088 | -25,918 | -140,833 | -114,915 |
| 41 | U.S. official reserve assets, net..... | -4,911 | 190 | -1,343 | -3,559 | -199 | 390 | -1,843 | -2,233 |
| 42 | Gold..... | | | | | | | | |
| 43 | Special drawing rights..... | -630 | -189 | -156 | -145 | -140 | -109 | -107 | 2 |
| 44 | Reserve position in the International Monetary Fund..... | -3,600 | 574 | -1,015 | -3,242 | 83 | 652 | -1,607 | -2,259 |
| 45 | Foreign currencies..... | -681 | -195 | -172 | -172 | -142 | -153 | -129 | 24 |
| 46 | U.S. Government assets, other than official reserve assets, net..... | -486 | 77 | -783 | 77 | 143 | 133 | 12 | -121 |
| 47 | U.S. credits and other long-term assets..... | -4,431 | -1,094 | -1,330 | -1,011 | -996 | -853 | -565 | 288 |
| 48 | Repayments on U.S. credits and other long-term assets..... | 3,873 | 1,071 | 573 | 1,118 | 1,111 | 994 | 553 | -441 |
| 49 | U.S. foreign currency holdings and U.S. short-term assets, net..... | 72 | 100 | -26 | -30 | 28 | -8 | 24 | 32 |
| 50 | U.S. private assets, net..... | -365,565 | -216,082 | -77,910 | 28,460 | -100,032 | -26,441 | -139,002 | -112,561 |
| 51 | Direct investment..... | -127,840 | -23,514 | -35,131 | -41,724 | -27,470 | -29,280 | -29,363 | -83 |
| 52 | Foreign securities..... | -94,662 | -26,895 | -51,764 | 10,087 | -26,090 | 2,047 | -9,987 | -12,034 |
| 53 | U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns..... | -14,358 | -51,759 | 9,670 | -9,479 | 37,210 | 65 | -26,976 | -27,041 |
| 54 | U.S. claims reported by U.S. banks, not included elsewhere..... | -128,705 | -113,914 | -685 | 69,576 | -83,682 | 727 | -72,676 | -73,403 |
| 55 | Foreign-owned assets in the United States, net (increase/financial inflow (+))..... | 752,806 | 302,510 | 181,610 | 17,889 | 250,797 | 113,496 | 221,213 | 107,717 |
| 56 | Foreign official assets in the United States, net..... | 5,224 | 4,087 | -20,831 | 16,882 | 5,086 | 7,641 | 47,062 | 39,421 |
| 57 | U.S. Government securities..... | 31,665 | 2,547 | -10,866 | 15,594 | 24,390 | 6,714 | 21,741 | 15,027 |
| 58 | U.S. Treasury securities..... | 10,745 | -1,027 | -20,798 | 15,810 | 16,760 | -582 | 15,193 | 15,775 |
| 59 | Other..... | 20,920 | 3,574 | 9,932 | -216 | 7,630 | 7,296 | 6,548 | -748 |
| 60 | Other U.S. Government liabilities..... | -1,882 | -676 | -791 | 89 | -504 | -790 | -20 | 770 |
| 61 | U.S. liabilities reported by U.S. banks, not included elsewhere..... | -30,278 | 1,213 | -10,202 | -782 | -20,507 | 991 | 24,415 | 23,424 |
| 62 | Other foreign official assets..... | 5,719 | 1,003 | 1,028 | 1,981 | 1,707 | 726 | 926 | 200 |
| 63 | Other foreign assets in the United States, net..... | 747,582 | 298,423 | 202,441 | 1,007 | 245,711 | 105,855 | 174,151 | 68,296 |
| 64 | Direct investment..... | 130,796 | 43,589 | 51,102 | 14,208 | 21,897 | 16,223 | 966 | -15,257 |
| 65 | U.S. Treasury securities..... | -7,670 | -4,744 | -14,685 | -15,470 | 27,229 | -7,282 | 1,386 | 8,668 |
| 66 | U.S. securities other than U.S. Treasury securities..... | 407,653 | 129,990 | 113,556 | 64,787 | 99,320 | 71,095 | 103,771 | 32,676 |
| 67 | U.S. currency..... | 23,783 | 2,311 | 2,772 | 8,203 | 10,497 | 4,525 | 7,183 | 2,658 |
| 68 | U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns..... | 82,353 | 111,644 | -5,307 | -25,154 | 1,170 | 32,345 | 25,956 | -6,389 |
| 69 | U.S. liabilities reported by U.S. banks, not included elsewhere..... | 110,667 | 15,633 | 55,003 | -45,567 | 85,598 | -11,051 | 34,889 | 45,940 |
| 70 | Statistical discrepancy (sum of above items with sign reversed)..... | 10,701 | 20,819 | -2,547 | 48,258 | -55,828 | 24,668 | 49,379 | 24,711 |
| Memoranda: | | | | | | | | | |
| 71 | Balance on goods (lines 3 and 20)..... | -427,165 | -113,032 | -107,719 | -105,751 | -100,663 | -106,424 | -122,640 | -16,216 |
| 72 | Balance on services (lines 4 and 21)..... | 68,875 | 15,872 | 14,395 | 25,973 | 12,635 | 10,932 | 12,027 | 1,095 |
| 73 | Balance on goods and services (lines 2 and 19)..... | -358,290 | -97,160 | -93,324 | -79,778 | -88,028 | -95,492 | -110,613 | -15,121 |
| 74 | Balance on income (lines 12 and 29)..... | 14,382 | 1,046 | 6,006 | 807 | 6,521 | -946 | -6,286 | -5,340 |
| 75 | Unilateral current transfers, net (line 35)..... | -49,463 | -11,608 | -11,916 | -12,360 | -13,579 | -16,016 | -13,060 | 2,956 |
| 76 | Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75)..... | -393,371 | -107,722 | -99,234 | -91,331 | -95,086 | -112,454 | -129,959 | -17,505 |

^r Revised. ^p Preliminary.

NOTE:--Details may not add to totals because of rounding. Source: U. S. Bureau of Economic Analysis